ANNUAL REPORT

Fiscal Year Ended – March 31, 1986

Ontario

Ontario
Energy
Board

87-01423/

Ontario

Ministry
of
Energy

TO:

The Honourable Lincoln M. Alexander,
P.C., Q.C., C.St.J., B.A.
Lieutenant Governor of the
Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1986.

Respectfully submitted,

Vincent G. Kerrio
Minister of Energy

Energy
Ontario

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HIGHLIGHTS OF THREE MAJOR GAS UTILITIES UNDER BOARD JURISDICTION

Firm	Year Ending	Assets	Average Rate Base	Gas Sales Revenues	Average Residential Bill	Number of Customers
Union	(Mar. 31/86)	$1,338,695,000	$ 880,392,000	$1,392,594,000*	$752.57	518,244
Consumers' Gas	(Sept. 30/85	$1,608,207,000	$1,281,500,000	$1,657,213,000	$901.56	842,271
Northern & Central	(Dec. 31/85)	$ 448,021,100	$ 308,137,000	$ 532,030,000	Western - $877.39	151,578
					Northern - $887.06	
					Eastern - $776.68	
TOTAL		**$3,394,923,100**	**$2,470,029,000**	**$3,581,837,000**		**1,512,093**

* Includes revenue from storage and transportation of gas for others.

MESSAGE FROM THE CHAIRMAN

As the Ontario Energy Board enters its second quarter century, we have learned that the need for adaptability and responsiveness is the only constant that a regulatory agency can expect. In its twenty-six years of operation, the Board has labored to keep the regulatory environment in step with the times as the energy sector has gone from shortages to gluts, from prices that spiralled upward to those that spiralled down. The only matter that has not changed is the recognition by the Board that it must exercise its public responsibilities with sensitivity and care, having regard for such concerns as equity, fairness, consistency and the public interest.

In 1960, as Minister of Energy in Ontario, I assisted in the creation of this Board. I felt privileged at that time to have a direct hand in developing an innovative and, we hoped, effective response to the need to manage energy resources in the Province. I believe that the Board, as established, has proved its effectiveness and worth over the years. And once again I feel privileged to have direct involvement with this Board at such an interesting period in the regulation of energy in Canada.

The past year has brought major changes in the field of energy resource management. Many people refer to this movement as deregulation. I believe that this term is both overused and misleading. Certainly the Western Accord and the Agreement on Natural Gas Markets and Prices do, in some ways, introduce market forces into the production and sale of energy to a much greater extent than existed before. But rather than reducing the need for regulation, these federal-provincial agreements have created many new issues that require regulatory attention. The Board has begun to address these issues so that Ontario may realize benefits from the new operating environment. Many of the questions raised, however, will no doubt take some years to resolve as the industry and the regulators gain experience with the new systems. This Board is, in my opinion, equal to whatever challenges come its way in ensuring that the public interest is protected in these turbulent times.

Looking after the public interest is an exacting task. In carrying out its work, the Board often must grapple with the question of its relationship to the Ontario government. Many people take the view that the Board is an independent body which is free to make its decisions without recognition of government statements or policy. This interpretation of the Board's role is, I think, overstated. I, for one, do not feel that the public interest can be effectively served if the Board and the Government are striving for inconsistent goals. That is not to say that the Board is a rubber stamp for government policy; but that it must be cognizant of such policy, recognizing and weighing it in its deliberations. The Government, after all, represents all residents in the province, both individual and corporate, including the utilities under this Board's jurisdiction. It is my view that we have a public duty to understand and respect Government's intention insofar as it is consistent with our mandate to ensure that the public interest is served. At the same time I feel that the work produced by the Board provides the policy makers with valuable findings and insights for use in their determination of policy direction.

During fiscal 1985/1986 the Board continued the efforts begun the previous year to introduce greater computerization. New technology not only makes possible easier and faster execution of tasks previously undertaken manually, but also facilitates the implementation of more timely and sophisticated analysis and surveillance of the operations of the companies under the Board's jurisdiction. As well, modelling techniques allow greater precision in evaluating data for the prospective test year that is used as the basis for determining utility rates. Computerization also has prompted a review of information requirements for Boar proceedings. The Board and the natural gas utilities are discussing possible modifications to these requirements as well as a policy on disclosure of information provided by the utilities for use in this information system.

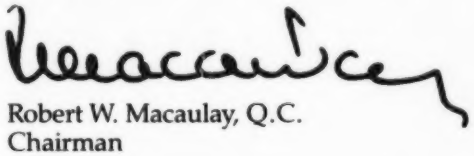
The major case summaries for fiscal 1985/1986 given later in this Report illustrate that the issues confronting this Board are far from parochial. Developments in the Canadian and world economies, in the various industries that compete for a share of the Ontario energy market, in financial market conditions, in new technologies, in environmental concerns, and in the ever-evolving definition of the public interest all

must be weighed by the Board in reaching its decisions. The various Board members bring an impressive array of experience and specialized knowledge to its deliberations. We are continually reviewing the mix of skills available in order to maintain balance and scope in the composition of the Board.

Changes in membership of the Board during fiscal 1985/1986 include the departures of Mr. Harvey R. Chatterson and Dr. Bunli Yang. We thank these gentlemen for their contributions to the work of the Board during their terms of service.

The increasingly complex workload could not have been handled without the talent, expertise and cooperation of our very dedicated staff. Over the past year, the strength of our staff resources has been enhanced through reorganization and skill diversification, resulting, I feel confident, in this Board's having a staff second to none. I know that the entire Board joins me in thanking these people for their conscientious and competent support.

As we look to the future, I can say with confidence that this Board is ready and able to fulfil the duties entrusted to it.



Robert W. Macaulay, Q.C.
Chairman

Ontario Energy Board

Seated, left to right: John C. Butler, Robert W. Macaulay, Marie C. Rounding. *Standing, left to right:* John K. Shurie, Malcolm Jackson, Richard R. Perdue, Orville J. Cook, Denis A. Dean, Donald H. Thornton, Joseph A. Dekort, Patrice E. Boisseau

Board Members Fiscal 1985/1986

Chairman: Robert W. Macaulay, Q.C.
Vice Chairman: John C. Butler
Members (in order of appointment):
Harvey R. Chatterson, Richard R. Perdue, Q.C., Donald H. Thornton, Q.C., Denis A. Dean, Marie C. Rounding, Orville J. Cook, Patrice E. Boisseau, Bunli Yang, Joseph A. DeKort, John K. Shurie, Malcolm Jackson

ROLE AND JURISDICTION

For 26 years the Ontario Energy Board has played an important role in the management of vital energy resources in Ontario. The Ministry of Energy has an overall mandate to ensure a supply of energy that meets the needs of Ontario residents and industry at reasonable prices in a manner consistent with the protection of the environment. The Board contributes to the realization of this energy goal by exercising its regulatory mandate over the natural gas distributors and providing advisory services to the government on certain energy matters including reviewing changes in Ontario Hydro's bulk power rates. The major activities of the Board are highlighted in the following sections.

Natural Gas Utility Regulation

The regulation of gas utilities encompasses a wide variety of functions including approving franchise agreements; granting certificates of public convenience and necessity; approving rates and charges for the sale, distribution, transmission, and storage of gas; granting leave to construct pipelines or related facilities; granting authority to expropriate land for such pipelines or facilities; recommending to the Lieutenant Governor in Council designated gas storage areas; authorizing the use of such areas; and determining compensation payable to landowners of such designated areas.

The rationale for such regulation is twofold. In order to avoid costly duplication of facilities used in providing customer service, Ontario, like most jurisdictions in North America, has established a system whereby a gas utility must acquire a franchise and a certificate of public convenience and necessity before it can provide service in a given locality. In exchange for this monopoly position, the gas utilities submit to regulatory control. In addition, regulation provides some control over the expansion of the transmission and distribution system in the province.

In performing its regulatory functions, the Board must follow specific procedures and tests which are prescribed in legislation. For example in setting rates, the Board must evaluate a utility's submission using a "rate base rate of return" method. In this process the Board determines the rate base of the utility for a test year—the net amount which the utility will have invested in facilities, working capital and other items to provide service to customers; then it determines what constitutes a fair return on that investment to the company's shareholders recognizing that, to be viable, a utility must be able to attract capital at competitive and reasonable rates. Expenses incurred in providing service are calculated and the return and the expenses are added together to obtain the company's revenue requirement—the amount it must collect from gas sales in order to recover the total cost of providing service. This total revenue requirement must then be allocated among the company's various classes of customers—residential, commercial, and industrial. The cost of providing service to each class and sub-class is different, and the Board must decide how much of the total revenues should be derived from each. The object is to determine just and reasonable rates—for the utilities and for their customers. The process described briefly here is, in reality, quite complex and is governed by both law and established regulatory and accounting principles.

The Board's Decision, usually issued with Reasons, results in a Board Order which is binding on the gas utility and also on other named parties such as a municipality or the utility's customers.

Review of Ontario Hydro Rate Proposals

When Ontario Hydro proposes changes to its bulk power rates, it must submit its rate proposal to the Minister of Energy. The Minister, in turn, refers the proposal to the Ontario Energy Board for review in a public hearing. The terms and scope of the Board's enquiry are set by the Minister in his reference to the Board, and normally do not provide for the same degree of examination as is undertaken for the gas utilities. The Board submits its report with recommendations to the Minister. Recommendations made by the Board are not binding on Ontario Hydro, and the final decision on rates rests with Hydro's Board of Directors.

Special References

From time to time the Board is called upon to hold public hearings and make reports on various energy-related issues referred to it by the Lieutenant Governor in Council, the Minister of Energy, or the Minister of Natural Resources. Such hearings provide an opportunity for individuals, public interest groups, and the industry to advance their views on important current energy issues. The ensuing report is advisory only, enabling the government to benefit from a thorough airing of each issue while maintaining its prerogative to set policy.

The Board itself also may initiate hearings on matters under its jurisdiction.

Administrative Matters

In addition to the foregoing responsibilities, which arise mainly from the Ontario Energy Board Act, the Board administers certain energy-related provisions of the Municipal Franchises Act, the Petroleum Resources Act, the Public Utilities Act, the Assessment Act, and the Toronto District Heating Corporation Act.

Pipeline workers prepare pipe sections for joining.

Providing customer information on services, conservation, safety, and energy issues is an important part of utility service.

THE PUBLIC HEARING PROCESS

Public hearings are the principal vehicle through which the Board functions. By providing a forum for the participation of all interested parties, a hearing ensures that the Board will render informed decisions which give consideration to a wide variety of views and interests.

The process has several steps:

1. Initiation

The process begins:

a) upon the receipt of an application;
b) upon receipt of a reference from the Lieutenant Governor in Council or from the Minister of Energy or of Natural Resources;
c) upon direction from the Board that it will initiate proceedings to consider a matter under its jurisdiction.

2. Notice of Application

The Board directs the applicant to serve notice of the application on all affected parties and interested public groups.

For a major rate case, a natural gas utility will

(1) publish announcements of its application in regional daily newspapers;
(2) personally serve notice on municipal clerks in the utility's service area; and
(3) notify others as directed by the Board.

3. Interventions

Interested parties may ensure their eligibility to participate in the hearing by filing an intervention with an explanation of the reasons for intervening.

4. Notice of Hearing

The Board determines the scope and probable length of the hearing and directs the applicant to serve notice of the time and place of the hearing on all parties who have intervened.

5. Pre-Hearing Documentation

a) Applications to construct pipelines are reviewed by the Ontario Pipeline Coordination Committee (OPCC) which examines them from an environmental aspect. This Committee sets out steps which a utility must take before its application will be heard by the Board. Route selection and environmental impact studies are among the things that will normally be required in pre-filed evidence.
b) Evidence in support of an application is filed with the Board up to two or three months before the hearing.
c) Board staff and intervening parties may seek additional information by way of written interrogatories.
d) Utilities answer interrogatories concerning pre-filed evidence before the hearing commences.

6. "First Day" Proceedings

Before the hearing of evidence commences, the Board panel may review with interested parties procedural matters, technical issues, and the general approach to the hearing. This step gives everyone the opportunity to become familiar with the application and to identify all the issues they wish to address in the hearing.

7. The Hearing

The Board ensures that sufficient evidence to make an informed decision is presented, tested and put on the record. The applicant usually testifies first through written evidence and witnesses. Intervenors and Special Counsel to Board staff then question these witnesses and may offer witnesses of their own. These witnesses may be cross-examined by the applicant.

When all the evidence has been given, each party has the opportunity to offer a summation in the form of written or oral argument.

The pre-filed evidence, transcripts of the hearing, and arguments are a matter of public record and are available at the Board office in Toronto.

8. Board Decision

The Board summarizes its findings in a "Report" or a document called "Reasons for Decision" either of which discusses all the issues and arguments raised in the hearing and indicates the Board's findings. Depending on the complexity of the case, this publication will appear a few weeks or months after a hearing. Copies of these documents are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, upon payment of prescribed fees. Parties to the hearing receive copies automatically.

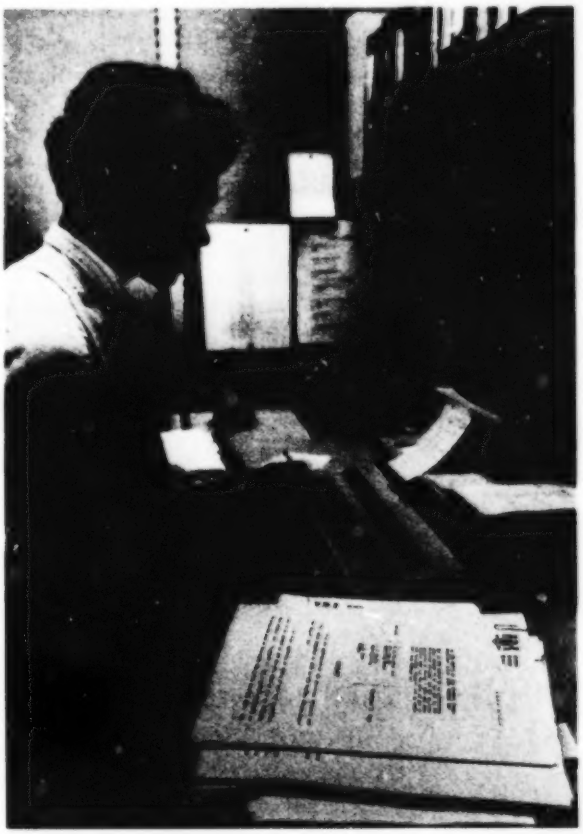
9. Board Order or Recommendation

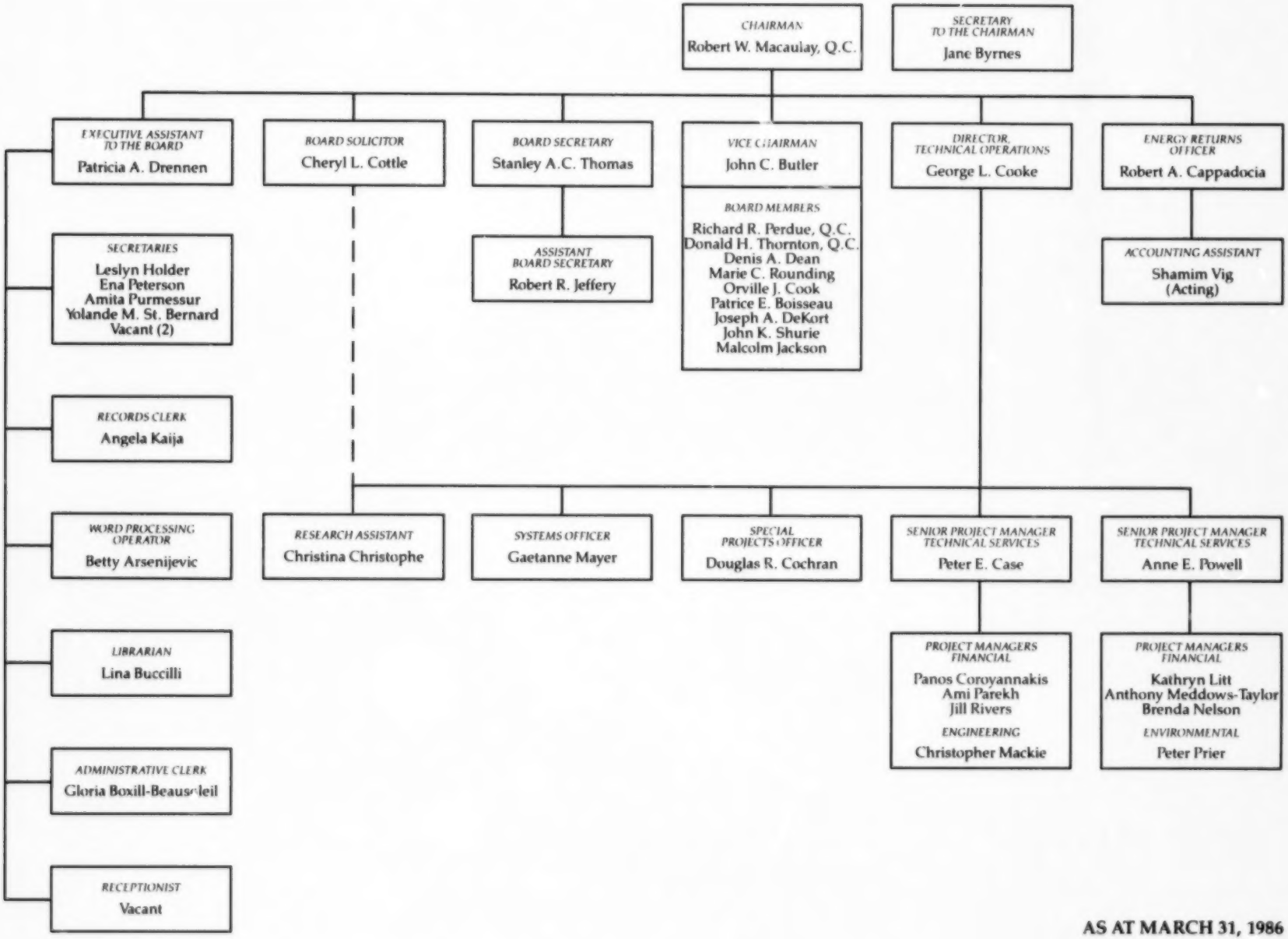
A Board Order is a legal document directing the implementation of a Board decision. It is binding on the parties named. Board Recommendations are included in Board Reports to the appropriate Minister or Lieutenant Governor in Council who may or may not implement them.

10. Review and Appeal

A Decision or Order of the Board may be appealed by

a) applying to the Board requesting that it rescind or amend its order;
b) petitioning the Lieutenant Governor in Council requesting that a Board Order or Decision be confirmed, varied, rescinded or reheard;
c) appealing an Order to the Divisional Court, provided that the appeal is based upon a question of law or jurisdiction.





AS AT MARCH 31, 1986

ORGANIZATION

Location

The Ontario Energy Board is located in downtown Toronto on two floors of the Toronto Hydro building at 14 Carlton Street. Reception is located on the 9th floor. Hearing rooms and a Reference Library are on the 8th floor.

Library

The Reference Library is open to the public. It carries periodicals and other current information on regulation and the natural gas industry. Previous Board cases are available on microfilm at this library, and anyone wishing to research previous decisions may have access.

Public Inquiries

General inquiries concerning procedural matters on applications before the Board are handled by the Board Secretary. Intervenors may also seek advice from members of the Technical staff when preparing to participate in the hearing process.

Copies of Board Decisions and Reports may be purchased by the public from the Ontario Government Bookstore, 880 Bay Street, Toronto.

Board Members and Staff

The Chairman and Board members are appointed by the Lieutenant Governor in Council. The present Chairman was appointed in 1984 for a five year term. Board members are appointed for one to three year terms. Members have diverse backgrounds in law, engineering, economics, accounting and finance, and direct energy industry experience.

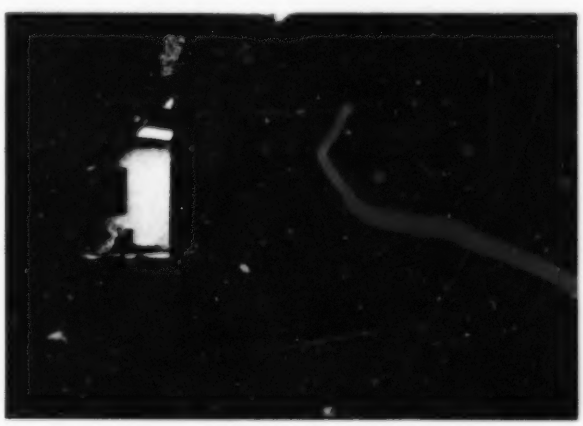
There were 29 full time staff in fiscal 1985/1986, including Technical and Administrative Support staff with special or technical knowledge in matters related to Board hearings. Legal counsel and outside consultants may be engaged to conduct proceedings, advise, or testify.

Ontario Pipeline Coordination Committee (OPCC)

Chaired by a Board staff person, this Committee is concerned with the environmental impact of any pipeline construction. Ministries represented include:

Agriculture and Food
Citizenship and Culture
Consumer and Commercial Relations
Energy
Environment
Municipal Affairs and Housing
Natural Resources
Transportation and Communications

The range of membership attests to the fact that environmental concerns are very broad. The OPCC prescribes steps, such as tabling studies on route selection and environmental impact, which a utility must take before a pipeline construction application will be heard by the Board. Committee members and consultants review such pre-filed evidence before it is tabled in hearings. The Committee also handles inquiries from affected groups who have particular concerns about a construction project.



OVERVIEW

Changes in Canadian energy policy created new challenges for the Ontario Energy Board and for the utilities under its regulation during fiscal 1985/1986. The Western Accord of March 1985 profoundly altered oil pricing and export policies, thereby changing the balance among competing energy sources. Falling world oil prices exerted downward pressure on the prices of competing fuels. Oversupply conditions for practically all energy sources exacerbated the price situation. Moreover, in reaching the Western Accord, the governments concerned also agreed that natural gas markets should be made more competitive. On October 31, 1985, the Governments of Canada, Alberta, British Columbia and Saskatchewan announced the Agreement on Natural Gas Markets and Prices which was intended to create conditions within the existing regulatory environment which would foster a market responsive pricing system in the natural gas industry.

Among other things, the Agreement would allow end-use customers to purchase gas directly from producers (direct sales), and would allow producers selling gas through TransCanada Pipelines to offer discounts including Competitive Marketing Programs (CMPs) which would be passed through TransCanada and the local utility to the end-user. Availability of direct sales would be dependent upon the availability of contract carriage arrangements—agreements whereby the local utilities carry the gas purchased under direct sale to the customer for a fee. Ontario announced that it favoured such contract carriage in the province during the interim year (November 1, 1985 to October 31, 1986), noting that the Ontario economy stood to benefit from lower gas supply prices which would help Ontario industries remain competitive. The government also noted that the Ontario Energy Board has the authority to review and approve interim contract carriage rates for a particular customer.

The Board immediately began proceedings to determine interim contract carriage rates to be used by Ontario utilities in testing the new arrangements. It quickly became evident that there were many complex issues to be resolved in determining fair rates. It is a straightforward step to subtract the cost of the gas from existing rates, but the remaining figure still has many components. The cost of the pipelines themselves, maintenance, load balancing, and storage are just a few of the costs still left. And what if a customer does not want all of the services implied by this cost? How does this composite rate get "unbundled" for those who desire only some of the services, without affecting the interests of all other customers and the utility itself? The Board responded to the need to establish rates for immediate use while still providing for further refinement of the system by introducing "interim" rates in December 1985. Under the terms of the Board's orders, the utilities and the customers must reimburse each other for any difference between these interim rates and the final rates fixed at a later date. The government also asked the Board to begin "intensive studies to determine whether contract carriage rates can be continued (beyond the one year phase-in period) without adverse impacts on other gas customers or on the integrity of the gas distribution system."

The Agreement on Natural Gas Markets and Prices raises several new issues with respect to "the public interest". More competitive pricing would appear to be in everyone's interest, but even that simple assumption may not hold for all people in all situations. One has only to consider the results of airline deregulation to realize that although the average cost of air travel has dropped substantially in the U.S., many routes in less populated areas have been eliminated causing much inconvenience for travellers in those areas. At present the method of regulating gas utilities may provide a rationale for utilities to expand service into areas that would not ordinarily produce an adequate return on investment. Since utilities are given the opportunity to earn the allowed return on their total investment and rates for similar services are uniform across the system, the customers buying the more profitable services may in effect subsidize those buying the less profitable services. Thus it may be that "deregulation" could mean lower prices in Toronto but decreased access to service in outlying areas. Traditionally, protection of the public interest has involved the Board in striking a balance between the lowest cost of service to the public and the cost that is commensurate with an acceptable access to the system and quality of service. These issues

require careful study. The choice between complete deregulation or retention of a form of regulation that allows some control over the distribution system is one that properly lies with the Ontario government as it interprets the public interest. In the meantime, the Board will continue to exercise its responsibilities in accordance with its powers under the Ontario Energy Board Act.

There is no set definition of the concept of the public interest. If one could always attain a Pareto optimum—that is, could always make someone better off while making no one else worse off—regulation would be an easy task. Unfortunately, real life seldom offers this happy choice. In a report in 1970, the Board discussed this issue in the following terms:

> One of the problems in assessing the public interest is that a benefit to one group is often a detriment to another. Thus some cost reductions, which benefit the operating company and, under rate regulation, ultimately benefit the customers or share holders or both, might be at the expense of another sector of the public, for example, the employees. Cost reductions brought about by a reduction of the level of service might benefit shareholders at the expense of customers. Changes in income tax accounting to bring about benefits to present customers or shareholders might be at the expense of future customers or shareholders, or both.
>
> Under these circumstances it is obvious that the assessment of the public interest is not simply a matter of whether there is a specific benefit or a specific detriment. Rather, the Board, in arriving at its opinion, must weigh the various benefits against the various disadvantages and come to a conclusion as to whether there is an overall benefit or detriment to the public interest or conceivably whether, having regard to the advantages and disadvantages, there is no overall effect on the public interest.

In 1985 the Board reported to the Lieutenant Governor on the same subject as follows:

> In the opinion of the Board, the public interest can only be more particularly defined by examining the facts and nature of the situation in which the test is to be used. The public interest will consistently take the form of the facts to which it is applied, moulding itself to the specific use to which it is being put.

Having determined that the public interest is not generally definable, the Board would add that, in spite of its elusiveness, when it is applied to a specific set of facts, the reasonable man of the Common Law has no trouble determining if a particular act meets the test. A transmission tower, by this test, might be located in a productive, peaceful countryside, in spite of the residents' objections if the tower is found to be in the public interest of a nearby population centre. The public interest of the urban residents may be said to outweigh the local interests of the rural public in those circumstances.

Lord Coke put it succinctly when he wrote:

"The law prefers the public good to the private good and that if it has to choose between prejudice to the many and mischief particular to individuals, the individuals must suffer."

As the Board found in its 1985 report regarding the acquisition of Union Enterprises by Unicorp:

6.8 In broad terms, the public interest will be satisfied by an undertaking or action that will result over time in an enhancement of the economic or general welfare of the public. The public interest can be satisfied without improving the economic or general welfare of every member of society; indeed, it is possible that the public interest in general can be satisfied even if some members of society are economically damaged.

Essentially, one might interpret the public interest as the best possible accommodation of conflicting interests.

6.9 In the regulatory context, the OEB follows a judgmental path in resolving conflicts of particular interests so as to arrive at a decision which the Board feels to be the best possible, in the public interest. There are no firm criteria for determining the public interest that will hold good in every situation and, generally speaking, it is probably preferable not to attempt to define these criteria too closely. The public interest is dynamic, varying from one situation to another and the criteria by which the public interest is judged may also change according to the circumstances. In considering the criteria, the Board must exercise judgment as to the specific values of conflicting interests. It must decide whether the public interest would be done any disservice in the event that the particular proposal was not approved.

Certainly the range of topics that are of public concern has greatly expanded in recent years. For example, environmental issues are no longer of interest to only a select few.

The Board has spent increasing amounts of time and research on environmental issues because it recognizes that such questions have significant implications for the quality of life in the province. Modern facilities and new service arrangements are necessary if Ontario is to grow and compete in Canadian and world markets, but the Board strives to ensure that changes occur with minimal disruptions to the ecosystems—be they economic, natural or social. The Ontario Pipeline Coordination Committee, under the direction of the Board, seeks to ensure that construction projects are given careful and full examination regarding environmental impact before permission to proceed with Board hearings is granted. As well, the Board itself hears testimony regarding environmental issues during its public hearings.

The issue of contract carriage focused attention on the transmission and distribution of gas in the rate setting process. It must be remembered, however, that effective energy management also concerns itself with security of supply, safety, relationships among competing fuel sources, and conservation. When the Board sets rates, it endeavors to shape the attitudes of the utilities and their customers on these important concerns. Regulators seek to ensure security of supply and stability in prices, but they are ever-mindful of the need to provide flexibility in rate design and incentive programs so that utilities may attain their revenue requirement in a manner consistent with achieving overall energy management goals.

The Board has recently undertaken a complete re-evaluation of the Ontario Energy Board Act. While the Board feels that the Act has provided an excellent framework for regulation in the public interest for many years, it wishes to ensure that efficiency and effectiveness can be maintained in the face of the dramatic changes in the industry. In the past, the Board has been able to meet its responsibilities without changes in legislation. This may still be possible, but there is a growing concern that the time is fast approaching when events may overtake us. As an essential element of the energy management that has contributed to the high standard of living in Ontario, the regulatory environment for the natural gas industry must keep pace with a changing world.

THE YEAR IN REVIEW

The following sections contain lists of activities carried out by the Board between April 1, 1985, and March 31, 1986. The lists are grouped by type, and significant activities in each group are elaborated. Cases may have three stages: hearing, Report or Reasons for Decision, and, where appropriate, Board Orders. Our lists include cases for which any one or more stages occurred during the fiscal year. This approach was selected because many cases span more than one year, and a true picture of Board activity can be garnered only by recognizing this ongoing work. For example, the main rate hearing for Northern & Central Gas (EBRO 408) consumed considerable time and effort in fiscal 1985/1986 although the decision was not issued until fiscal 1986/1987.

Pipeline Construction and Expropriations (EBLO)

EBLO applications seek leave to construct pipelines or related facilities. Once leave is granted, the Board may also grant the utility authority to seek expropriations for land affected by the allowed construction if the utility and the landowners fail to reach voluntary agreement.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBLO 206	Union	Expropriation: DHLL 301, 304, 304E, 313, 320, 320E	Apr. 22/85	—	Apr. 26/85
EBLO 208	Northern & Central	Leave: North Shore Project	Dec. 18/84	Mar. 13/85	May 14/85
EBLO 208	Northern & Central	Expropriation: 202, 210, 181, 147, 722, 717, 711, 706, 692, 400, 392, 686, 572, 453, 363, 360, 357, 751, 236, 356, 978	May 21 /85	—	June 3/85
EBLO 209	Union	Leave: Forest-Parkhill Line	Mar. 12/85	May 17/85	Aug. 12/85
EBLO 210	Consumers'	Leave: Manotick Line	Apr. 16/85	—	May 14/85
EBLO 211	Consumers'	Leave: Kemptville Line	Apr. 16/85	—	May 14/85
EBLO 214	Northern & Central	Leave: North Bay-Sudbury Loops	Dec. 16/85	—	Jan. 20/86 (part)
EBLO 215	Consumers'	Leave: NPS36-Parkway Belt West	Mar. 6/86	—	May 12/86

EBLO 208: THE NORTH SHORE EXPROPRIATIONS

As reported in last year's Annual Report, the Board issued its decision on January 21, 1985, allowing Northern and Central Gas Corporation Limited to construct a 170 kilometer pipeline from Sault Ste. Marie to Blind River and Elliot Lake.

As Northern was unable to acquire easements from all the affected landowners, the company applied to the Board in May 1985, under Section 49 of the Ontario Energy Board Act, for authority to expropriate land for pipeline right-of-way in order to be able to commence construction.

On May 21, 1985, the Board convened a hearing in Sault Ste. Marie to hear the expropriation application. On May 23, 1985, the Board issued oral Reasons for Decision granting authority to expropriate.

Franchise Approvals (EBA)

Under the Ontario Energy Board Act, the Board must approve the terms and conditions of agreements between gas utilities and municipalities.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBA 391	Consumers'	Franchise: Township of Rideau	Apr. 16/85	—	May 17/85
EBA 435	Northern & Central, Consumers'	Rehearing Township of Oro Franchise	Mar. 21/86	May 27/86	June 25/86
EBA 448	Consumers'	Franchise: City of Thorold	Apr. 16/85	—	May 31/85
EBA 449	Northern & Central	Franchise: Township of Macdonald, Meredith, Aberdeen Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBA 450	Northern & Central	Franchise: Town of Elliott Lake	Dec. 18/84	Mar. 13/85	May 31/85
EBA 451	Northern & Central	Franchise: Town of Blind River	Dec. 18/84	Mar. 13/85	May 31/85
EBA 452	Northern & Central	Franchise: Village of Iron Bridge	Dec. 18/84	Mar. 13/85	May 31/85
EBA 454	Union	Franchise: Town of Forest	Mar. 12/85	May 17/85	Aug. 12/85
EBA 455	Union	Franchise: Town of Parkhill	Mar. 12/85	May 17/85	Aug. 12/85
EBA 456	Union	Franchise: Village of Arkona	Mar. 12/85	May 17/85	Aug. 12/85
EBA 457	Union	Franchise: Village of Ailsa Craig	Mar. 12/85	May 17/85	Aug. 12/85
EBA 458	Union	Franchise: Village of Thedford	Mar. 12/85	May 17/85	Aug. 12/85
EBA 459	Union	Franchise: Township of Bosanquet	Mar. 12/85	May 17/85	Aug. 12/85
EBA 460	Union	Franchise: Township of East Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBA 461	Union	Franchise: Township of West Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBA 462	Consumers'	Franchise: Township of South Gower	Apr. 16/85	—	May 17/85
EBA 463	Consumers'	Franchise: Township of Oxford-on-Rideau	Apr. 16/85	—	May 17/85
EBA 464	Union	Franchise: County of Lambton	Mar. 12/85	May 17/85	Aug. 12/85
EBA 465	Northern & Central	Franchise: Township of Val Rita	Mar. 27/85	—	Apr. 15/85
EBA 472	Ontario Energy Board	Rehearing of Lambton & Blenheim	Nov. 25/85	—	June 30/86

Pipeline Exemptions (PL)

Under special circumstances, the Board may exempt a utility from undergoing a public hearing to obtain permission to construct a transmission or distribution line. Usually PLs are granted for repairs or minor relocations.

FILE NUMBER	APPLICANT	MATTER	ORDER
PL 43	Petrosar	Exemption: Lampton Construction	Aug. 9/85
PL 44	Union	Exemption: Thamesville Replacement	July 26/85
PL 45	Consumers'	Exemption: NPS-12 West End of Ottawa	Nov. 13/85
PL 46	Northern & Central	Exemption: Portion of North Shore Project on Hwy #557	Oct. 16/85
PL 49	Northern & Central	Exemption: Blind River Transmission Line	Jan. 15/86

Certificates of Public Convenience or Necessity (EBC)

The Board issues EBCs enabling a utility to proceed with construction necessary for the provision of service to a part or the whole of the franchise area.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	CERTIFICATE
EBC 139	Northern & Central, and Consumers'	Rehearing: Township of Oro Franchise	Mar. 21/86	May 27/86	June 25/86
EBC 147	Northern & Central	Cert: Town of Elliot Lake	Dec. 18/84	Mar. 13/85	May 31/85
EBC 148	Northern & Central	Cert: Township of Macdonald, Meredith & Aberdeen Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 149	Northern & Central	Cert: Township of Day & Bright Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 150	Northern & Central	Cert: Township of Thessalon	Dec. 18/84	Mar. 13/85	May 31/85
EBC 152	Northern & Central	Cert: Town of Blind River	Dec. 18/84	Mar. 13/85	May 31/85
EBC 153	Northern & Central	Cert: Village of Iron Bridge	Dec. 18/84	Mar. 13/85	May 31/85
EBC 154	Northern & Central	Cert: Township of Johnson	Dec. 18/84	Mar. 13/85	May 31/85
EBC 155	Northern & Central	Cert: Township of Plummer Additional	Dec. 18/84	Mar. 13/85	May 31/85
EBC 156	Northern & Central	Cert: Township of Thompson	Dec. 18/84	Mar. 13/85	May 31/85
EBC 157	Union	Cert: Town of Forest	Mar. 12/85	May 17/85	Aug. 12/85
EBC 158	Union	Cert: Town of Parkhill	Mar. 12/85	May 17/85	Aug. 12/85
EBC 159	Union	Cert: Village of Arkona	Mar. 12/85	May 17/85	Aug. 12/85
EBC 160	Union	Cert: Village of Ailsa Craig	Mar. 12/85	May 17/85	Aug. 12/85
EBC 161	Union	Cert: Village of Thedford	Mar. 12/85	May 17/85	Aug. 12/85
EBC 162	Union	Cert: Township of Bosanquet	Mar. 12/85	May 17/85	Aug. 12/85
EBC 163	Union	Cert: Township of East Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBC 164	Union	Cert: Township of West Williams	Mar. 12/85	May 17/85	Aug. 12/85
EBC 165	Consumers'	Cert: Township of Rideau	Apr. 16/85	—	May 17/85
EBC 166	Consumers'	Cert: Township of South Gower	Apr. 16/85	—	May 17/85
EBC 167	Consumers'	Cert: Township of Oxford-on-Rideau	Apr. 16/85	—	May 17/85
EBC 168	Northern & Central	Cert: Township of Val Rita	Mar. 27/85	—	Apr. 15/85

Uniform Accounting Orders (UA)

Under the Ontario Energy Board Act, the Board has the authority to prescribe accounting procedures of gas utilities in the province. A utility wishing to adjust its accounting practices must receive Board approval.

FILE NUMBER	APPLICANT	MATTER	ORDER
UA 58	Consumers'	Deferral of Gas Cost Charges	Oct. 18/85
UA 59	Union	Deferral of Gas Cost Charges	Oct. 18/85

Reference from the Minister of Energy Regarding Ontario Hydro (HR)

When Ontario Hydro wishes to change its bulk power rates, it must submit a proposal to the Minister of Energy. The Minister must then forward the proposal to the Board for review, through a public hearing, and Report. The Board's Report with recommendations is given to the Minister.

HR 14: ONTARIO HYDRO RATE PROPOSAL

Ontario Hydro's proposal to change its rates effective January 1, 1986, was referred to the Board by the Minister of Energy on April 11, 1985.

Hydro originally proposed an average all customer rate increase of 3.6 percent. This increase was based on a revenue requirement for 1986 of $4,521 million, an increase of $262 million over that for 1985. Of this increase, $105 million was forecast to be recovered through increased sales volumes, leaving $157 million to be recovered through the rate increase. The proposed revenue requirement included a net income provision of $400 million.

In its Report to the Minister, the Board recommended an average rate increase of 4.9 percent based on a 1986 revenue requirement of $4,597 million. This revenue requirement included a net income provision of $500 million. The Board indicated that this level of planned net income would contribute to improved financial soundness.

Determination of Revenue Deficiency and Average All Customer Rate Increase for the Year Ending December 31, 1986

($ millions)

Revenues at Existing Price Levels	Original Submission	Updated Forecast	Board Recommendation
Primary Sales	4,364	4,364	4,384
Revenue Requirement	4,521	4,522	4,597
Revenue Deficiency	(157)	(158)	(213)
Average All Customer Rate Increase	3.6%	3.6%	4.9%

Pro-Forma Income Statement for the Year Ending December 31, 1986

($ millions)

	Original Submission	Updated Forecast	Board Recommendation
Gross Revenue Requirement	4,922	4,922	5,002
Deduct - Secondary Sales	(401)	(400)	(405)
Net Revenue Requirement	4,521	4,522	4,597
Operation, Maintenance and Administration	1,003	1,002	970
Fuel and Fuel-Related	1,143	1,115	1,108
Depreciation	690	689	709
Interest and Foreign Exchange	1,686	1,688	1,715
Net Income	400	428	500

Other Energy Board Orders (EBO)

This is a miscellaneous grouping of Board orders and decisions that do not fall within the defined categories. It is used for applications requesting orders for permission for such things as discontinuing service. It is also used for generic hearings—those called by the Board to give interested parties an opportunity to express their views on, and give the Board an opportunity to indicate its policies and guidelines regarding, general issues under its jurisdiction.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBO 111	Clarke	Joining of Interests - Enniskillen-26	Mar. 5/85	May 24/85	Aug. 12/85
EBO 114	Ram	Unitization: Cromar East Field	Apr. 29/85	Sept. 20/85	Sept. 16/85
EBO 116	Ontario Energy Board	Awarding of Costs	Nov. 20/84	June 12/85	—
EBO 122	Union	Contract Approval: Gaz Metro	—	—	June 5/85
EBO 123	Union	Designation of Lands East of Bickford Place	Feb. 18/86	June 18/86	—
EBO 124	Union	Contract Approval: Northern & Central	—	—	Sept. 23/85
EBO 125	Ontario Energy Board	Review of Franchises & Certificates	Nov. 13/85	May 21/86	—
EBO 127	Haldimand Oil & Gas	Leave to Discontinue Service	Nov. 7/85	Dec. 9/85	Dec. 2/85

EBO 116: GENERIC HEARING: COST AWARDS TO HEARING PARTICIPANTS

The Board's Report on the Awarding of Costs and Related Procedural Matters was issued on June 12, 1985. The procedure that was set out in the Report has been put into practice during this fiscal year.

The eligibility for a cost award and the proportion of the costs to be awarded are decided by the panel hearing an application. The party awarded costs then submits a statement of costs to the Board. The Board Solicitor has been authorized to act as the Assessment Officer; the Assessment Officer will make a recommendation to the Board panel on the quantum of costs, i.e., whether the expenditures claimed are reasonable in the circumstances and have been incurred directly and necessarily for the purpose of the proceeding. The parties may make an objection to this recommendation. A cost award will be issued fixing the quantum to be awarded by the Board after it considers the recommendation and any objections.

The Board did not deal with interim costs in the Report, instead it stated a case to the Divisional Court to clarify the Board's jurisdiction with respect to interim cost awards. The Court advised that the Board did not have the jurisdiction to provide intervenor funding in advance of a hearing "under the guise of exercising its 'costs' jurisdiction" and that legislative change was required. A motion for leave to appeal that decision was made in September to the Ontario Court of Appeal; leave to appeal was denied.

In this fiscal year, cost awards were awarded in EBRO 403, EBRO 405-1 and HR 14.

EBO 125: GENERIC HEARING: NATURAL GAS FRANCHISE AGREEMENTS

The hearing was called by the Ontario Energy Board to allow a complete review of municipal franchise agreements by all parties involved—the municipalities, the gas distributors, the gas consumers (particularly the large-volume customers) and the Board itself.

Municipal franchise agreements generally contain two elements—the rights granted to the gas utility by the municipality to supply gas to the inhabitants and to use the municipal roadways to install a pipeline system, and the duties of the gas utility to comply with municipal requirements in return for the right to occupy the roadway. A major area of discussion was the sharing of costs of pipeline relocations caused by municipal construction in the municipal right-of-way.

A related issue was the control over the use of such right-of-way once a franchise had been awarded granting to a utility the right to occupy such space.

The OEB report proposed the establishment of a multi-party working committee (the Municipal Franchise Agreement Committee) made up of representatives of the municipalities of the three major franchise areas, the three major utilities (Consumers' Gas, Northern & Central Gas, and Union Gas), and the Board staff. A major task of this committee is to draft a model agreement to which parties and the OEB can refer as new agreements and renewals come before the Board for approval. The Committee also will consider a new model formula to allocate the costs incurred in pipeline relocation.

Reports to the Minister (EBRM)

The Minister of Natural Resources or the Minister of Energy may refer energy-related matters to the Board. The Board then holds hearings and issues its report to the appropriate minister. A common type of EBRM arises from a request for a permit to inject, store or remove natural gas from designated storage areas. Such requests are made to the Minister of Natural Resources under the Petroleum Resources Act. The Minister then refers the applications to the Ontario Energy Board for review and approval.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REPORT
EBRM 70	Dow	Permit to Drill	Mar. 26/86	June 13/86
EBRM 74	Dow	Permit to Flood	Mar. 26/86	June 25/86
EBRM 77	Union	Permit to Drill Payne 20, Moore 22	—	May 24/85
EBRM 78	Union	Permit to Drill Dawn 258, Dawn 19-1	—	May 24/85
EBRM 80	Proto Resources Ltd.	Permit to Inject	Nov. 14/85	Nov. 25/85
EBRM 81	R.G. Bryant	Permit to Drill	Feb. 14/86	Feb. 17/86

References from the Lieutenant Governor in Council (EBRLG)

The Lieutenant Governor in Council may instruct the Board to carry out enquiries into energy-related matters. The Board then holds a hearing and makes a report with recommendations to the Lieutenant Governor.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REPORT
EBRLG 28	Lieutenant Governor in Council	Reference Re: Unicorp/Union	Apr. 9/85	Aug. 2/85
EBRLG 29	Lieutenant Governor in Council	Reference Re: LNG	Mar. 25/86	

EBRLG 28: UNION/UNICORP

On February 15, 1985, the Lieutenant Governor in Council issued an Order requiring the Ontario Energy Board to hold a public hearing with respect to the takeover of Union Enterprises Ltd. by Unicorp Canada Corporation. The Board was asked to examine and report on the probable and potential impact of the acquisition on Union, its present and future customers, and energy supply in Ontario. As well, the Board was asked to examine the need for, or desirability of, the public review and regulation of both the direct and indirect ownership and control and transfers thereof, of gas distributors and transmitters in Ontario.

The hearing was held between April 9 and May 19, 1985. The Board issued its report to the Lieutenant Governor in Council on August 2, 1985.

During the hearing, details of significant financial transactions which enabled Unicorp to be successful in its takeover bid were made public for the first time. As well, significant evidence was presented that caused the Board to examine not only its role during the transfer of ownership or control of a natural gas utility, but also its regulatory powers in general and its on-going responsibilities and authority.

In its Report the Board re-affirmed the importance of the Government retaining its power of approval over the control or ownership of the three major natural gas utilities. As a result, the Board recommended that Section 26 of the Ontario Energy Board Act should be amended to provide for the following:

No accumulation/acquisition of the voting shares of the utility, the parent or the grandparent of the utility, greater than 20% should take effect without the approval of the Lieutenant Governor;

The proposed new owner must advise the Lieutenant Governor, the Minister of Energy and the OEB, of its intent to acquire such ownership or control of an Ontario gas utility;

At the direction of the Lieutenant Governor, the OEB would hold a public hearing into the matter and make recommendations relating to any conditions of approval;

The conditions of approval would be treated as an order of the Board and be monitored and enforced by it as such;

The Lieutenant Governor would have the power under Section 35 to waive such a public hearing. The Board stated its view, however, that public hearings are desirable in these circumstances. In the absence of a public hearing, the Board submitted that it should be asked to recommend any appropriate conditions of approval since it will have the duty to monitor and enforce the conditions;

Any transfer without the approval of the Lieutenant Governor would be void.

With respect to the Union/Unicorp takeover specifically, the Board recommended certain changes to the undertakings that Union and Unicorp had indicated they would jointly give to the Lieutenant Governor in Council. Subject to these and the other recommendations set forth in its Report, the Board recommended to the Lieutenant Governor in Council that no action be taken to interfere with the takeover of Union Enterprises by Unicorp Canada Corporation.

EBRLG 29: REFERENCE TO REVIEW PROPOSED LIQUEFIED NATURAL GAS (LNG) STORAGE FACILITY

In April 1985, Consumers' Gas announced its plan to construct an LNG storage facility to accommodate peak gas demands. The Ontario Pipeline Coordination Committee reviewed site selection data in September 1985.

On October 15, 1985, Consumers' filed two applications with the Ontario Energy Board for:

1. leave to construct two natural gas transmission pipelines; and
2. a certificate of public convenience and necessity to construct works and supply gas in the Township of Haldimand.

The applications proposed that a Liquefied Natural Gas (LNG) storage facility and the transmission pipelines to transport gas to and from the plant be constructed in Haldimand Township. The facility was proposed as a "peakshaving" plant to meet peak temperature sensitive load in 1994.

Consumers' proposed to build the plant on a 180 hectare site. The capacity of the proposed storage tank would be 92,000m^3 (liquid); the process facilities would be capable of supplying 8500 10^{3}m^3 (gas) for the seven peak days anticipated in 1994. The liquid would be stored at -162°C at approximately atmospheric pressure. The anticipated cost of the project was proposed to be over $100 million.

After requests by concerned citizens to designate the project under the Environmental Assessment Act, the Minister of the Environment referred the proposal to the Environmental Assessment Advisory Committee. The committee solicited opinions from interested parties and subsequently recommended that the proposal be designated under that Act. However, the Lieutenant Governor in Council by an Order in Council ordered the Ontario Energy Board to examine and, after holding a public hearing, to report on Consumers' proposal to construct the LNG storage facility.

The Order in Council required the OEB to "take into account all such matters as to it appear to be relevant, and without limiting the generality of the foregoing, the Board is to have regard to the following:

a. the need for the Project;

b. the alternatives to the Project which will satisfy that need;

c. the safety considerations associated with the Project;

d. the advantages and disadvantages of the Project, the alternatives to the Project and the six candidate sites considered by the applicant, taking into account the physical, social, economic, cultural and natural environment, including effects on air, land and water; and

e. the economic feasibility of the Project."

The Board announced that the hearing would be held in Cobourg, Ontario. The hearing took place after the fiscal 1985/1986 yearend and will be reviewed in the next Annual Report.

Members of public review Consumers' display at LNG hearings.

Natural Gas Rate Reviews and Interim Rate Reviews (EBRO)

EBRO applications are made by the utilities to seek rate adjustments. The Board may also initiate such proceedings if a utility has not submitted an application and the Board considers that a review is required.

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBRO 392-5	Wellandport	Interim Rates	—	—	Jan. 3/86
EBRO 403	Consumers'	Rates	June 3/85	Sept. 25/85	Oct. 11/85
EBRO 403-1	Consumers'	Interim Rates	Nov. 20/85	Dec. 23/85 & Jan. 14/86	Dec. 6/85
EBRO 405-1	Union	Rates	June 25/85	Oct. 28/85 Nov. 29/85 addendum	Dec. 24/85(1) June 6/86
EBRO 405-2	Union	Rates	Nov. 18/85	May 5/86	Apr. 7/86 June 5/86
EBRO 405-3	Union	Rehearing of Rate to Petrosar	Mar. 18/86	—	July 21/86 Portion of EBRO 405
EBRO 406	Tecumseh	Rates	May 13/85	June 14/85	July 26/85
EBRO 407	NRG	Rates	Dec. 2/85	Feb. 28/86	Mar. 26/86
EBRO 407-A	NRG			Apr. 18/86	Apr. 25/86
EBRO 407-1	NRG	Rates	—	—	Apr. 29/85
EBRO 407-2	NRG	Interim Rates	July 31/85	—	Aug. 12/85
EBRO 407-3	NRG	Interim Rates	Nov. 8/85	—	Nov. 28/85
EBRO 407-5	NRG	Interim Rates - Revenue Deficiency	Jan. 14/86	Jan. 22/86	Feb. 4/86
EBRO 408	Northern & Central	Rates	Oct. 15/85	May 30/86	July 21/86
EBRO 408-1-1	Northern & Central	Interim - Removal of C.O.S.C. & T.A.P.	Dec. 17/85	Jan. 15/86	Feb. 4/86
EBRO 408-1-2	Northern & Central	Interim - Revenue Deficiency	—	Jan. 15/86	Feb. 4/86 Portion of EBRO 408-1-1
EBRO 409	Kidd Creek	Rates	Oct. 21/85	Apr. 21/86	June 25/86
EBRO 410	Consumers'	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 410-1-1	Cyanamid	Interim - T-Rates	Jan. 27/86	—	Dec. 24/85
EBRO 410-1-1	Cyanamid	Interim Interim Rates (amendments to 410)	—	—	Feb. 27/86
EBRO 410-2-1	QNS Paper	T-Rates (Consumers')	—	—	Feb. 28/86
EBRO 410-3-1	Canadian Gypsum	Interim T-Rates (Consumers')	—	—	Mar. 26/86
EBRO 411	Northern & Central	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 411-1-1	Nitrochem	Interim T-Rates	Jan. 27/86	—	Dec. 24/85 411-1-1
EBRO 412	Union	T-Rates	Jan. 27/86	Apr. 4/86	—
EBRO 412-1	C.I.L.	Interim T-Rates	Jan. 27/86	—	Dec. 24/85 412-1-1

Natural Gas Rate Reviews and Interim Rate Reviews (EBRO) (continued)

FILE NUMBER	APPLICANT	MATTER	HEARING DATE	REASONS FOR DECISION	ORDER
EBRO 412-2-1	Canadian Gypsum	Interim T-Rates (Union)	—	—	Mar. 26/86
EBRO 412-3-1	Polysar	Interim T-Rates (Union)	—	—	Mar. 26/86
EBRO 413-1-1	Union	CMP Rate - C.I.L.	—	—	Jan. 10/86
EBRO 413-2-1	Union	CMP Rate - Allied Chemical	—	—	Feb. 3/86
EBRO 415-1-1	Northern & Central	CMP Rate - Algoma Steel	—	—	Feb. 27/86
EBRO 415-2-1	Northern & Central	CMP Rate - Great Lakes Forest Producers	—	—	Feb. 27/86
EBRO 415-3-1	Northern & Central	CMP Rate - Dupont Canada	—	—	Feb. 27/86
EBRO 415-4-1	Northern & Central	CMP Rate - Abitibi Price Inc.	—	—	Feb. 27/86
EBRO 415-5-1	Northern & Central	CMP Rate - Courtaulds Canada	—	—	Feb. 27/86
EBRO 415-6-1	Northern & Central	CMP Rates - Inco	—	—	Mar. 12/86
EBRO 415-7-1	Northern & Central	CMP Rates - Dupont Canada	—	—	Mar. 19/86
EBRO 415-8-1	Northern & Central	CMP Rates - Cornwall Chemical Ltd.	—	—	Mar. 19/86
EBRO 415-9-1	Northern & Central	CMP Rates - Spruce Falls Power & Paper Co.	—	—	Mar. 25/86
EBRO 417-1-1	Consumers'	CMP Rates - Ford Glass Ltd.	—	—	Mar. 21/86
EBRO 417-2-1	Consumers'	CMP Rates - Ford Motor Company of Canada	—	—	Mar. 21/86

Anticipating the possibility of the need for future changes to the pipeline system, a worker welds on the main-flange which will facilitate adaptibility of the line.

EBRO 403: THE CONSUMERS' GAS COMPANY LTD. (CONSUMERS')

Consumers' is Canada's largest natural gas distribution utility serving over 800,000 residential, commercial and industrial customers in south, central and eastern Ontario, western Quebec and northern New York state. Its annual sales of gas in Ontario are in excess of 8.5 $10^9 m^3$.

By application dated March 7, 1985, Consumers' requested rate increases for all customers effective October 1, 1985, in order to recover a projected $23.9 million gross revenue deficiency for its 1986 test year. The hearing which began on June 3, 1985, lasted approximately three weeks. The Board issued its decision September 25, 1985.

During the course of the hearing, a number of modifications were made by Consumers' to its submission, resulting in reductions to the claimed revenue deficiency. The table shows the key financial elements of Consumers' final submission and the Board's decision. Data from the previous Board decision, which was for Consumers' 1984 test year, is shown for comparison.

	EBRO 395 Previous Board Decision	EBRO 403 Final Consumers' Submission	EBRO 403 Board Decision Sept. 25/85
TEST YEAR ENDING SEPT. 30			
	1984	1986	1986
Rate Base ($000's)	1,211,700.0	1,294,808.0	1,284,200.0
Utility Income ($000's)	131,188.0	139,580.0	139,788.0
Indicated Rate of Return on Rate Base	12.07%	11.27%	11.27%
Cost of Capital			
Long-term Debt	10.77%	10.99%	10.99%
Unfunded Debt	9.00%	9.00%	9.00%
Preferred Shares	8.99%	9.17%	9.17%
Common Equity	13.50%	13.50%	13.50%
Allowance for Funds Used During Construction	3.00%	3.00%	3.00%
Capitalization Ratios			
Equity	45.00%	45.00%	45.00%

The changes in rate base made by the Board largely reflect its direction to Consumers' to remove certain of its non-utility activities such as merchandising programs (appliance centres) from rate base and hence from rate regulation.

As part of its submission, Consumers' proposed new rates which were to reflect three seasons rather than the existing two seasons. The Board rejected this proposal at that time.

The gross revenue deficiency of $4.2 million found by the Board was not reflected in rates, but rather was placed in a deferral account. On November 4, 1985, Consumers' applied to re-open EBRO 403 to reflect in rates the deferred $4.2 million deficiency and the balances in other deferral accounts including the one that had been accumulating various cost of gas changes. The net result of closing out all these deferral accounts was a rate decrease for all customers.

EBRO 405: UNION GAS LIMITED (UNION)

Union is the second largest gas distributor in Ontario, serving approximately 518,000 customers in Southwestern Ontario. Union also operates a network of pipeline, storage and compression facilities to provide service to its customers and other utilities in Eastern Ontario and Quebec.

Union did not file an application to increase rates for its 1986 test year (12 months ending March 31, 1986). However, in light of Union's actual and forecast overearnings for fiscal 1984 and fiscal 1985, the Board convened a hearing to enquire into, hear and determine certain matters with respect to Union's 1986 fiscal year.

On January 23, 1985, Union applied for a rate increase for its 1987 fiscal year. Union also applied at that time for an order to recover in rates the balances in and accruing under SNG Premium Accounts No. 3 and No. 4, together with interest costs thereon. In applying for these rate increases, Union also sought an appropriate rate classification and rate for the sale of gas to Petrosar Limited.

The Board's review of certain matters with respect to Union's 1986 fiscal year was heard together with Union's application for recovery of SNG Accounts No. 3 and No. 4 and its request for an appropriate rate classification and rate for the sale of natural gas to Petrosar. The hearing was held under Board File EBRO 405-1 in July and August of 1985. The Board issued its Reasons for Decision on October 28, 1985.

The hearing into Union's application for a rate increase for fiscal 1987 was held under Board File EBRO 405-2 during November and December 1985 and January 1986. The Board issued a decision on April 3, 1986, with reasons following on May 5, 1986. The content of that decision will be discussed in next year's Annual Report of the Board.

The Board's EBRO 405-1 Decision found the rate applicable to sales of natural gas by Union to Petrosar, pending the outcome of the litigation between these two parties, should be negotiated within the present M7 range. Following an appeal of this Decision to Cabinet by Union, the Board, on its own motion, reviewed and confirmed its Decision under file EBRO 405-3.

The capital budget forecast for fiscal 1986 was lowered by $6.6 million; the allowance for cash working capital was reduced by $397,000; the forecast of 1986 M7 sales volume was adjusted upwards by 188,035 10^3m^3; and the forecast of operations and maintenance expense was reduced by $2,345,000. The rate of return on common equity from the EBRO 397 Decision was accepted without contest. As a result of these adjustments, the Board found a revenue surplus for 1986 of $3.079 million.

The Board authorized the recovery in rates of SNG Premium Account No. 3, but found its size to be excessive because Union had failed in the proper management of the account. As a result, the Board disallowed all interest accumulated in Account No. 3 from its inception, which the Board estimated to be $2.6 million. The Board ordered Union to amortize $3.4 million of the account in fiscal 1986. This had the result of reducing the found revenue surplus to a revenue deficiency of $321,000, which sum was deemed not significant enough to warrant a change in rates for fiscal 1986.

The Board did not authorize Union to collect in rates any of the amounts which had accumulated in Premium Account No. 4.

The table shows the key financial figures in Union's final submission and the Board's subsequent decision. The Board's decision for the 1985 test year is shown for comparison.

	EBRO 397 Previous Decision Apr. 24/84	EBRO 405-1 Final Union Submission	EBRO 405-1 New Board Decision Oct. 28/85
TEST YEAR ENDING MARCH 31			
	1985	1986	1986
Rate Base ($000's)	830,281	884,089	880,392
Utility Income ($000's)	105,503	112,593	114,817
Indicated Rate of Return on Rate Base	12.71%	12.74%	13.04%
Cost of Capital			
Long-term Debt	12.01%	12.47%	12.47%
Short-term Debt	10.50%	9.30%	9.30%
Preference Shares	10.05%	10.12%	10.12%
Common Equity	15.60%	15.60%	15.60%
Allowed Rate of Return on Rate Base	12.75%	12.75%(1)	12.875%
Revenue Deficiency ($000's)	731	3,669(1)	321

Note: (1) The rate of return on rate base allowed in EBRO 397 was used in this calculation.

During the course of the EBRO 405-2 proceedings, Union applied for an interim rate decrease effective November 1, 1985, to reflect accumulated cost of gas reductions resulting from various changes in taxes, subsidies and gas prices. Union also proposed to refund to customers the cost of gas savings that had accrued up to and including October 31, 1985. In an interim order dated December 24, 1985, the Board approved Union's proposal.

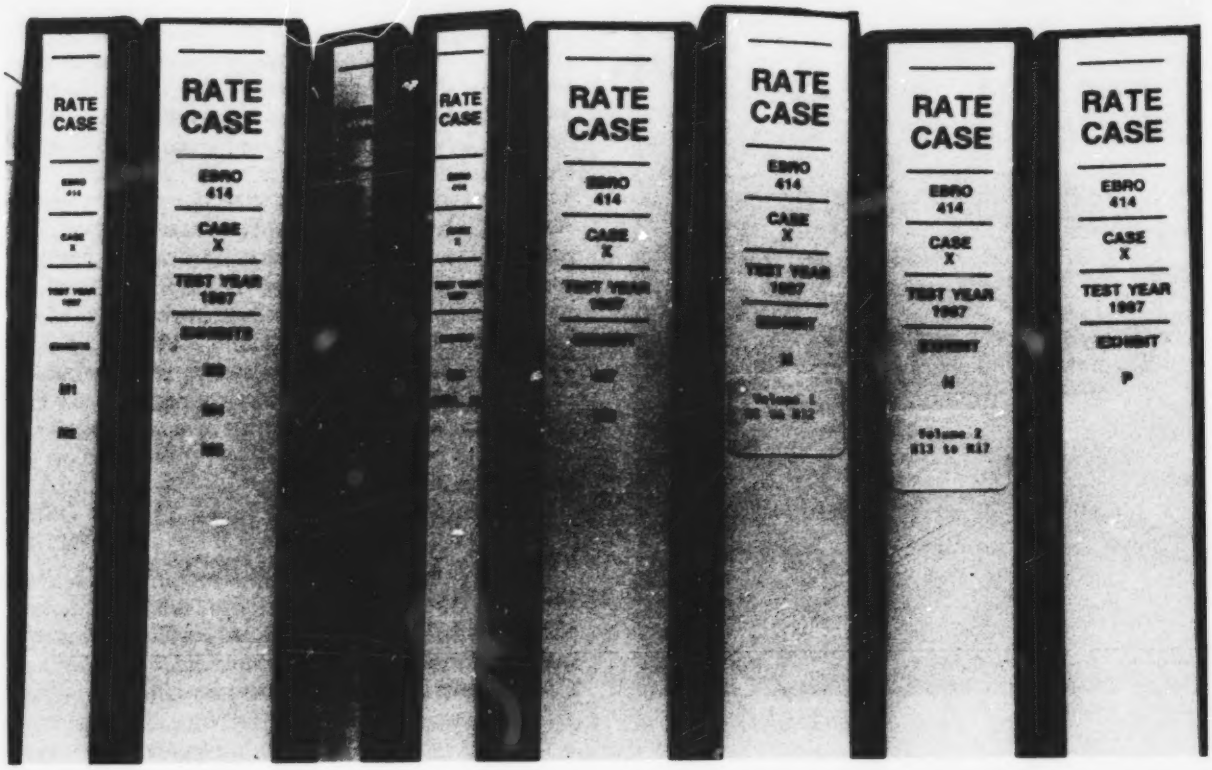
EBRO 407: NATURAL RESOURCE GAS LIMITED (NRG)

NRG is a relatively small gas distribution utility serving approximately 1800 customers in Aylmer and surrounding communities. NRG purchases its natural gas from Union and a number of local producers.

The rate application was filed in March, 1985. Some months elapsed before the filing of supporting material for the main application, and the Board dealt with a number of interim rate applications including a $243,000 increase in revenues in November, 1985, and $157,000 in January, 1985. The question of the cost of liability insurance premiums prompted considerable discussion during the proceedings. The Board's final decision was issued on April 18, 1986.

The table shows the key elements of NRG's submission as well as the Board's decision.

	EBRO 393 Previous Board Decision Oct. 19/84	EBRO 407 Final NRG Submission	EBRO 407-A New Board Decision Apr. 18/84
TEST YEAR ENDING SEPTEMBER 30			
	1984	1986	1986
Rate Base ($000's)	1,620	2,580	2,438
Utility Income ($000's)	188	131	174
Indicated Rate of Return on Rate Base	11.6%	5.16%	7.12%
Cost of Capital Debt	13.77%	12.50%	12.75%
Preference Shares	9.00%	9.00%	9.00%
Common Equity	16.25%	16.50%	15.80%
Allowed/Requested Rate of Return on Rate Base	13.93%	13.61%	13.20%
Revenue Deficiency ($000's)	77.7	455	314



EBRO 408: NORTHERN AND CENTRAL GAS LIMITED (NORTHERN)

Northern (whose name was officially changed to ICG Utilities (Ontario) Ltd. effective May 5, 1986) serves approximately 150,000 customers in northwestern, northern and eastern Ontario. It distributes gas to more than 100 communities in an area extending from Kenora to points 200 miles along the shores of Lake Ontario and the St. Lawrence River.

By application dated July 24, 1985, Northern requested rate increases for all customers effective January 1, 1986, in order to recover a projected deficiency for its 1986 test year of $14,038,900. The hearing was held in October and November 1985. The Board issued interim decisions on January 15, 1986, and a final decision on May 30, 1986.

The table shows the key financial elements of Northern's final submission and the Board's decision. The Board's decision for the 1985 test year is shown for comparison.

	EBRO 399 Previous Board Decision	EBRO 408 Final Northern Submission	EBRO 408 New Board Decision May 30/86
	TEST YEAR ENDING		
	1985	1986	1986
Rate Base ($000's)	308,139.3	575,370.7	529,300.7
Utility Income ($000's)	37,983.8	42,767.5	44,671.4
Indicated Rate of Return on Rate Base (%)	12.33%	11.59%	11.79%
Cost of Capital			
Long-term Debt	12.80%	12.80%	12.80%
Short-term Debt	N.A.	N.A.	12.45%
Preference Shares	6.50%	6.50%	6.50%
Accumulated Tax Deferrals	3.40%	3.40%	3.40%
Common Equity	15.50%	16.50%	15.50%
Allowed/Requested Return on Rate Base	12.33%	11.59%	11.79%
Revenue Deficiency ($000's)	1,457.5	14,038.9	6,500.0

Northern proposed major structural design changes to all of its rate classes. This aspect of its application, however, was deferred until the next major rate case owing mainly to the uncertainty over the future impact of probable deregulation of Northern's gas supply costs.

On December 11, 1985, Northern filed an application for interim rate reductions effective January 1, 1986, to account for accumulated changes in its gas purchase costs and taxes.

As well, Northern proposed to refund, by means of a lump sum credit, the net cost savings that had accrued to December 31, 1985. In its decision (EBRO 408-1-1) dated January 15, 1986, the Board approved both the proposed refund and the rate decrease effective January 1, 1986.

In a further application dated December 11, 1985, Northern requested an interim order for rate relief effective January 1, 1986, pending final disposition of the main case.

The Board issued interim reasons for decision (EBRO 408-1-2) on January 15, 1986, allowing Northern to implement interim rate increases to recover additional revenues of $6,500,000 through a uniform rate increase to all its customers effective January 1, 1986.

The effect of these two interim rate changes were netted so that customers only experienced one rate change (an increase for some and a decrease for others) effective January 1, 1986. The Board, in its final decision, then found an additional deficiency of $1,457,500 effective April 21, 1986. This additional deficiency was to be computed and recovered in the same manner as that used for the January 1, 1986, interim revenue deficiency and was to be effective on all gas consumed on or after April 21, 1986.

EBRO 409: KIDD CREEK MINES LTD. (KIDD CREEK)

Kidd Creek, located in Timmins, is a large volume industrial customer of Northern & Central Gas Corporation Limited (Northern).

On or about April 7, 1978, Northern and Texasgulf Canada Ltd. (Kidd Creek's predecessor) entered into a five-year contract to supply gas at Texasgulf's mine site under Northern's Rate 302 (now 308). The contract was to continue thereafter unless terminated, in writing, by either party with six-months prior notice. Prior to the expiry of the initial five-year term, Kidd Creek requested Northern to serve it under negotiable Rate 320, effective November 1, 1983. Nothern refused, saying Kidd Creek failed to meet its feasibility criteria for service under Rate 320.

Kidd Creek filed an application dated June 4, 1985, requesting that the Board issue an Order, pursuant to Sections 15 and 19 of the Ontario Energy Board Act, fixing Rate 320 as the rate at which Northern must sell gas to Kidd Creek at its mine site. In addition Kidd Creek requested that the Board order a refund of all amounts overpaid since November 1, 1983.

The Board heard the application commencing October 21, 1985, and issued its Reasons for Decision on April 21, 1986. In those reasons the Board found that the Rate 320 schedules had neither expressly nor implicitly ever included a feasibility test for access to the rate and, further, Northern had no right to impose conditions beyond those already contained in the applicability and eligibility clauses of the schedule without prior approval of the Board. As a consequence, the Board found that Kidd Creek had been improperly excluded from service under Rate 320 since November 1, 1983, and had, therefore, overpaid Northern since that date.

Northern was ordered to instate Kidd Creek as a Rate 320 customer and refund all amounts overpaid.

EBRO 410, 411, 412: CONTRACT CARRIAGE RATES

To make the new market-oriented arrangements contained in the Agreement on Natural Gas Markets and Prices available to end-users in Ontario, the Board approved interim contract carriage arrangements on Ontario distribution systems. In December 1985, the Board called hearings on its own motion to consider interim contract carriage arrangements for Consumers', Union and Northern. At the same time the Board ordered that the three hearings be combined to consider elements common to the three distributors.

The hearing commenced on January 27, 1986, and continued for thirteen days concluding on February 12, 1986. The Board issued its decision, dated April 4, 1986, in which it supported the availability of the new market-oriented gas purchase arrangements for the interim period. Rate schedules, including terms and conditions were determined for such arrangements, but the Board found that approval of each specific contract would be required. The Board also noted its intention to hold another hearing later in the year to hear and determine matters relating to permanent contract carriage arrangements in Ontario.

MINI-GLOSSARY

Argument:
The final step in a hearing, during which participants summarize their positions on various matters of concern based on the evidence adduced.

Board Order:
A legal document directing the implementation of a Board decision. An Order is binding on the indicated parties.

Board Recommendation:
Usually contained in a Board Report to a Minister or to the Lieutenant Governor in Council on Ontario Hydro or some other energy-related matter. Such recommendations are not binding.

Bulk Power Rates:
Wholesale electricity rates to municipalities and certain industrial customers of Ontario Hydro having an average annual power demand of 5,000 kilowatts or more.

Buy/Sell Agreement:
Arrangement whereby an end-user purchases gas from a producer and then sells it to the local distribution utility who comingles that gas with other supplies. The end-user then buys gas from the local utility in the usual manner. The difference between the price paid to the producer and the price received from the local utility minus any transportation costs accrues to the end-user.

CMP:
Competitive Marketing Program: a discount program offered by producers selling system gas to meet competitive situations by allowing the end-user/distribution utility to negotiate a reduced price that is then passed from the producers through TransCanada and the local utility to the end-user.

Commodity Charge:
The variable component of pipeline transportation tolls or gas sales rates designed to recover variable costs of providing service.

Contract Carriage:
Transportation service provided for the transport of gas not owned by the transporting pipeline company. See also T-SERVICE.

Demand Charge:
The fixed component of pipeline transportation tolls or gas sales rates designed to recover fixed costs of providing service.

Designated Gas Storage Area:
A land area containing geological formations into which the Board may authorize a person to inject, store, and remove gas. Injection of gas for storage into any geological formation outside of a designated gas storage area is prohibited under section 20 of the Ontario Energy Board Act.

Direct Sales:
Natural gas supply purchase arrangements transacted between producers and end-users at negotiated prices for which pipeline transportation arrangements must then be negotiated separately with TransCanada and the local distribution utility.

Gigajoule:
A measure of energy content in fuel; a typical residential consumer of natural gas might use about 130 gigajoule(GJ) per year for household heating. (One GJ = approximately .95 Mcf. of natural gas.)

Interrogatories:
Written requests for the supply of additional information or clarification of information already received.

Intervention:
Notice of intent to participate in hearings; stating the interest in the proceeding. The person or group is called an intervenor.

Rate Base:
The amount that a utility has invested in assets that are used and useful in providing service minus accumulated depreciation plus an allowance for working capital and any other items which the Board may determine. Rate base may also be net of accumulated deferred income taxes.

Rate of Return on Common Equity:
Utility income, after tax, expressed as a percentage of the amount of common equity approved for inclusion in the utility's capital structure.

Rate of Return on Rate Base:
The amount which a utility is allowed to earn expressed as a percentage of the rate base. Note that this return is not guaranteed to the utility. Rather, this is the return that the company has a reasonable opportunity to earn given forecast conditions.

Revenue Requirement:
The allowed expenses of the utility and the allowed return on rate base are added together to obtain the total amount which the utility must recover through rates in order to cover its costs of providing service.

Test Year:
A period of twelve consecutive months (usually the company's next full fiscal year) for which projections of costs, revenues, expenses and rate base are studied by the Board in order to set rates which will allow the utility the opportunity to earn a reasonable rate of return.

T-Service:
The gas transportation service offered by a pipeline company or distributor to transport gas owned by others. See also CONTRACT CARRIAGE.

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